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SUBJECT: AMBASSADOR DISCUSSES NORTHERN PIPELINES WITH
ENERGY MINISTER EFFORD

11. (U) Sensitive but unclassified. Not for distribution
outside USG channels.

12. (SBU) Summary: The Ambassador paid a courtesy call
December 14 on Minister of Natural Resources John Efford,
reviewing a range of topics relating to plans for natural
gas pipelines from Alaska's North Slope and Canada's
Mackenzie Valley. Regarding the Alaska pipeline, Minister
Efford said that any move to issue construction permits for
the Canadian portion of the line that did not recognize
TransCanada Pipeline Ltd.'s exclusive construction
"certificates" would raise a host of legal, regulatory and
financial issues. As for the Mackenzie Valley project,
Efford said that the issue of compensation for the Deh Cho
aboriginal band is currently before the courts, and he
expressed hope that the judicial process would move
quickly. Minister Efford also touched on the prospects for
liquid natural gas (LNG) facilities in Canada, and trilateral
energy initiatives with Mexico under the North American
Energy Working Group (NAEWG). He expressed hope that the
Energy Secretary-designate would be able to visit Canada
soon. End summary.

Alaska Gas Pipeline -----

13. (SBU) Meeting with the Ambassador and ESTOFF in a
conference room in Ottawa's Parliament Building, Minister
Efford underlined that TransCanada believes very strongly
that it has, through its Foothills Pipe Lines subsidiary,
exclusive "certificates of convenience and public
necessity," issued in the 1970s, to construct the Canadian
portion of the Alaska natural gas pipeline. The authority
for the certificates is derived through the Northern
Pipeline Act (NPA) of 1977, currently the only Canadian law
specifically addressing the Alaska gas pipeline. Through
another wholly owned subsidiary, TransCanada also holds
certificates for the Alaska portion of the line under the
1976 Alaska Natural Gas Transportation Act. The U.S.
portion of the line may also be built under the separate
authority of the Natural Gas Act, in which case
TransCanada's certificates would have no standing.

14. (SBU) Referring to a recent round of lobbying in Canada
against the exclusivity of TransCanada's certificates by
North Slope gas producers BP and Conoco-Phillips, Efford
said that the producers yet to come up with a realistic
alternative pipeline proposal (the third producer,
ExxonMobil, has told us that they believe it is premature
to address the certificates issue until the producers
establish financial terms for the pipeline). Efford said
that while the producers have voiced a general complaint
that they do not want to be locked into doing business only
with TransCanada, he believes that there is ample room for
negotiation among all the stakeholders regarding who will
build the pipeline.

15. (SBU) Efford opined that any challenge to TransCanada's
NPA certificates would "absolutely" provoke an immediate
court challenge, as the company believes it has maintained
the validity of its certificates for nearly thirty years.
Efford also voiced concern that any move by Canada to
revise its legislation and issue certificates to another
company could force a renegotiation of the 1977 U.S.-Canada
Transit Pipeline Treaty. He further noted that the
environmental permitting process, always difficult in
Canada, would become even more complicated if a route other
than TransCanada's were to be proposed. As an aside,
Efford told us that he has argued within the GOC for
instituting timetables for Environmental Impact
Assessments, but that writing a timetable into legislation
is "almost impossible."

16. (SBU) Efford noted that the U.S. Congress inserted a
"Sense of Congress" resolution in the 2004 Alaska Natural
Gas Pipeline Act that the steel for the Alaska pipeline be

made in North America, but that the 52-inch pipeline favored by BP and Conoco-Phillips could only be manufactured in Asia. Efford acknowledged that the pipeline requirements have changed since 1977, when certificates were issued for a 48-inch pipeline, but said the technology for pipeline construction and operation has advanced greatly in the past 25 years. He stated that a 48-inch pipeline, manufactured in North America using modern methods, should be adequate for the pipeline's current requirements.

Mackenzie Valley and the Deh Cho Process

17. (SBU) Efford told us that the Deh Cho band is using the Mackenzie Valley gas pipeline project to gain leverage for tribal land claims. About 40 percent of the proposed pipeline's route would pass through Deh Cho lands, and the band is suing the Government of Canada to gain more representation on the pipeline review panel. Efford expressed hope that the judicial process will move quickly to resolve the Deh Cho's claim, and noted that the issue of the Deh Cho's participation has not yet led to delays in the project.

Other Energy Matters

18. (SBU) Regarding the construction of LNG projects in Canada, Efford said that the Irving Oil Company is already performing preliminary work on a new terminal in Saint John, New Brunswick. He also stated that there is unlikely to be serious opposition to other proposed LNG terminals in Atlantic Canada. Efford said that he understood U.S. initiatives to make Mexico a full partner in North American energy issues, and that Canada supported the effort. At the conclusion of the meeting, Efford told us that he hoped the new U.S. Energy Secretary-designate would be able to visit Canada as soon as possible. The Ambassador responded that a visit might usefully include a tour of the Alberta oil sands or the James Bay hydroelectric projects in Quebec.

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